

**JAMAICA TEACHERS' ASSOCIATION  
CO-OPERATIVE CREDIT UNION LIMITED  
FINANCIAL STATEMENTS  
31 DECEMBER 2009**

**JAMAICA TEACHERS' ASSOCIATION  
CO-OPERATIVE CREDIT UNION LIMITED  
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**INDEPENDENT AUDITORS' REPORT**

To: The Registrar of Co-operative Societies  
Re: Jamaica Teachers' Association  
Co-operative Credit Union Limited

**Report on the Financial Statements**

We have audited the financial statements of Jamaica Teachers' Association Co-operative Credit Union Limited set out on pages 3 to 56, which comprise the statement of financial position as at 31 December 2009 and the statements of income statement of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Co-operative Societies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and consistently applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**INDEPENDENT AUDITORS' REPORT (CONT'D)**

To: The Registrar of Co-operative Societies  
Re: Jamaica Teachers' Association  
Co-operative Credit Union Limited

*Opinion*

In our opinion, the financial statements give a true and fair view of the Credit Union's financial position at 31 December 2009 and of its financial performance, changes in equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the provisions of the Co-operative Societies Act.

**Report on additional requirements of the Co-operatives Societies Act**

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept and the financial statements which are in agreement therewith give the information required by the Co-operatives Societies Act in the manner so required.

**Chartered Accountants**

25 March 2010

**JAMAICA TEACHERS' ASSOCIATION**  
**CO-OPERATIVE CREDIT UNION LIMITED**

**STATEMENT OF INCOME**

**YEAR ENDED 31 DECEMBER 2009**

	<u>Note</u>	<u>2009</u> <u>\$'000</u>	<u>Restated</u> <u>2008</u> <u>\$'000</u>
<b>Interest Income:</b>			
Loans and advances		816,997	706,925
Investment income		<u>172,962</u>	<u>96,492</u>
		<u>989,959</u>	<u>803,417</u>
<b>Interest Expense:</b>			
Members deposits		204,386	148,347
External credit		3,366	3,043
Members' voluntary shares		253,402	122,960
Other financial costs		<u>6,367</u>	<u>3,432</u>
		<u>467,521</u>	<u>277,782</u>
<b>Net Interest Income</b>		522,438	525,635
Impairment adjustment on loans	12	<u>4,550</u>	( <u>30,817</u> )
<b>Net Interest Income after Impairment adjustment on loans</b>		526,988	494,818
Non-interest income	8	<u>26,493</u>	<u>17,386</u>
<b>Net Interest and Other Income</b>		<u>553,481</u>	<u>512,204</u>
<b>Operating Expenses:</b>			
Salaries and other staff costs	9	243,333	156,229
Other operating expenses (page 56)		<u>198,830</u>	<u>171,717</u>
		<u>442,163</u>	<u>327,946</u>
<b>Net Surplus for Year</b>	10	<u>111,318</u>	<u>184,258</u>

**JAMAICA TEACHERS' ASSOCIATION**  
**CO-OPERATIVE CREDIT UNION LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**YEAR ENDED 31 DECEMBER 2009**

	<u>Note</u>	<u>2009</u> <u>\$'000</u>	<u>Restated</u> <u>2008</u> <u>\$'000</u>
Net surplus for the year		111,318	184,258
<b>Other Comprehensive Income:</b>			
Unrealised gains/(losses) on financial instruments		<u>3,879</u>	( <u>3,791</u> )
<b>Total comprehensive income for the year</b>		<u>115,197</u>	<u>180,467</u>

**JAMAICA TEACHERS' ASSOCIATION**  
**CO-OPERATIVE CREDIT UNION LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**31 DECEMBER 2009**

	<u>Note</u>	<u>2009</u> <u>\$'000</u>	<u>Restated</u> <u>2008</u> <u>\$'000</u>	<u>Restated</u> <u>2007</u> <u>\$'000</u>
<b><u>ASSETS</u></b>				
<b>NON-CURRENT ASSETS:</b>				
<b>Earning:</b>				
Financial investments	11	145,257	131,365	118,796
Loans, after provision for loan impairment	12	4,588,380	3,916,796	3,335,001
Investment properties	13	<u>6,138</u>	<u>6,271</u>	<u>6,405</u>
		<u>4,739,775</u>	<u>4,054,432</u>	<u>3,460,202</u>
<b>Non-Earning:</b>				
Property, plant and equipment	14	44,382	44,275	40,834
Retirement benefit assets	15	<u>113,050</u>	<u>146,214</u>	<u>126,900</u>
		<u>157,432</u>	<u>190,489</u>	<u>167,734</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<u>4,897,207</u>	<u>4,244,921</u>	<u>3,627,936</u>
<b>CURRENT ASSETS:</b>				
<b>Earning:</b>				
Liquid assets	16	712,499	589,786	459,802
Reverse repurchase agreements	17	359,533	279,594	155,510
Financial investments	11	18,362	17,232	16,168
Loans, after provision for loan impairment	12	<u>170,083</u>	<u>52,853</u>	<u>133,208</u>
		<u>1,260,477</u>	<u>939,465</u>	<u>764,688</u>
<b>Non-Earning:</b>				
Cash and bank balances	18	13,722	16,110	47,523
Other assets	19	<u>32,312</u>	<u>23,785</u>	<u>16,175</u>
		<u>46,034</u>	<u>39,895</u>	<u>63,698</u>
<b>TOTAL CURRENT ASSETS</b>		<u>1,306,511</u>	<u>979,360</u>	<u>828,386</u>
<b>TOTAL ASSETS</b>		<u>6,203,718</u>	<u>5,224,281</u>	<u>4,456,322</u>

**JAMAICA TEACHERS' ASSOCIATION**  
**CO-OPERATIVE CREDIT UNION LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**31 DECEMBER 2009**

	<u>Note</u>	<u>2009</u> <u>\$'000</u>	<u>Restated</u> <u>2008</u> <u>\$'000</u>	<u>Restated</u> <u>2007</u> <u>\$'000</u>
<b><u>EQUITY AND LIABILITIES</u></b>				
<b>CAPITAL AND RESERVES:</b>				
Institutional capital	20	765,614	627,409	551,269
Non-institutional capital	21	<u>454,150</u>	<u>479,137</u>	<u>376,643</u>
		<u>1,219,764</u>	<u>1,106,546</u>	<u>927,912</u>
<b>NON-CURRENT LIABILITIES:</b>				
<b>Interest Bearing:</b>				
Members' deposits	23	807,303	721,875	579,707
External credits	24	<u>21,615</u>	<u>25,636</u>	<u>31,448</u>
		<u>828,918</u>	<u>817,511</u>	<u>611,155</u>
<b>CURRENT LIABILITIES:</b>				
<b>Interest Bearing:</b>				
Members' voluntary shares	22	2,972,060	2,516,074	2,231,487
Members' deposits	23	1,127,136	729,343	639,478
External credits	24	<u>4,013</u>	<u>4,005</u>	<u>2,198</u>
		<u>4,103,209</u>	<u>3,249,422</u>	<u>2,873,163</u>
<b>Non-Interest Bearing:</b>				
Other liabilities	25	<u>51,827</u>	<u>50,802</u>	<u>44,092</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u>4,155,036</u>	<u>3,300,224</u>	<u>2,917,255</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>6,203,718</u>	<u>5,224,281</u>	<u>4,456,322</u>

Approved for issue by the Board of Directors on 25 March 2010 and signed on its behalf:

\_\_\_\_\_  
Dorothy Raymond - President

\_\_\_\_\_  
Cyril Lebert - Treasurer

\_\_\_\_\_  
Patrick Smith - Secretary

**JAMAICA TEACHERS' ASSOCIATION**  
**CO-OPERATIVE CREDIT UNION LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED 31 DECEMBER 2009**

	Note	Members' Share Capital \$'000	Institutional Capital \$'000	Non - institutional Capital \$'000	Total \$'000
Balances at 1 January 2008, as previously stated		2,231,487	551,269	376,643	3,159,399
Transfer of members' voluntary shares to liabilities		<u>(2,231,487)</u>	-	-	<u>(2,231,487)</u>
Balance at 1 January 2008, as restated		-	551,269	376,643	927,912
Appropriations from 2007 surplus	26	-	-	( 1,849)	( 1,849)
Net surplus for the year		-	-	184,258	184,258
Other comprehensive income		-	-	( 3,791)	( 3,791)
Entrance fees		-	16	-	16
Transfer to statutory reserve		<u>-</u>	<u>76,124</u>	<u>( 76,124)</u>	<u>-</u>
Balances at 31 December 2008		-	627,409	479,137	1,106,546
Appropriations from 2008 surplus	26	-	-	( 1,899)	( 1,899)
Issue of permanent shares		-	21,000	-	21,000
Decrease of permanent shares reserve		-	-	( 21,000)	( 21,000)
Permanent shares buy back		-	-	( 109)	( 109)
Net surplus for the year		-	-	111,318	111,318
Other comprehensive income		-	-	3,879	3,879
Entrance fees		-	29	-	29
Transfer to statutory reserve		<u>-</u>	<u>117,176</u>	<u>(117,176)</u>	<u>-</u>
Balances at 31 December 2009		<u>-</u>	<u>765,614</u>	<u>454,150</u>	<u>1,219,764</u>

**JAMAICA TEACHERS' ASSOCIATION**  
**CO-OPERATIVE CREDIT UNION LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED 31 DECEMBER 2009**

Institutional Capital

	<u>Note</u>	<u>Permanent Shares \$'000</u>	<u>Statutory Reserve \$'000</u>	<u>Total \$'000</u>
Balance at 31 December 2007		-	551,269	551,269
Entrance fees		-	16	16
Appropriation from 2008 surplus		<u>-</u>	<u>76,124</u>	<u>76,124</u>
Balance at 31 December 2008	20	-	627,409	627,409
Issue of permanent shares		21,000	-	21,000
Entrance fees		-	29	29
Appropriation from 2009 surplus		<u>-</u>	<u>117,176</u>	<u>117,176</u>
Balance at 31 December 2009	20	<u>21,000</u>	<u>744,614</u>	<u>765,614</u>

**JAMAICA TEACHERS' ASSOCIATION**  
**CO-OPERATIVE CREDIT UNION LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED 31 DECEMBER 2009**

Non -institutional Capital

	Note	Accumulated Surplus \$'000	Retirement Benefit Assets Reserve \$'000	Fair Value Reserve \$'000	Loan Loss Reserve \$'000	Revaluation Reserve \$'000	Permanent Share Fund \$'000	Total \$'000
Balances at 31 December 2007		209,069	126,900	5,358	25,886	9,430	-	376,643
Appropriations from surplus	26	( 1,849)	-	-	-	-	-	( 1,849)
Net surplus for the year		184,258	-	-	-	-	-	184,258
Other comprehensive income		-	-	(3,791)	-	-	-	( 3,791)
Transfer to loan loss reserve		16,233	-	-	(16,233)	-	-	-
Transfer of increase in retirement benefit		( 19,314)	19,314	-	-	-	-	-
Transfer to permanent share reserve		( 21,000)	-	-	-	-	21,000	-
Transfer to statutory reserve		( 76,124)	-	-	-	-	-	( 76,124)
Balances at 31 December 2008		291,273	146,214	1,567	9,653	9,430	21,000	479,137
Appropriations from surplus	26	( 1,899)	-	-	-	-	-	( 1,899)
Net surplus for the year		111,318	-	-	-	-	-	111,318
Other comprehensive income		-	-	3,879	-	-	-	3,879
Transfer to loan loss reserve		( 15,523)	-	-	15,523	-	-	-
Transfer of decrease in retirement benefit		33,164	( 33,164)	-	-	-	-	-
Transfer from permanent share reserve		-	-	-	-	-	(21,000)	( 21,000)
Permanent shares buy back		-	-	-	-	-	( 109)	( 109)
Transfer to statutory reserve		(117,176)	-	-	-	-	-	(117,176)
Balances at 31 December 2009		<u>301,157</u>	<u>113,050</u>	<u>5,446</u>	<u>25,176</u>	<u>9,430</u>	<u>( 109)</u>	<u>454,150</u>

**JAMAICA TEACHERS' ASSOCIATION  
CO-OPERATIVE CREDIT UNION LIMITED**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED 31 DECEMBER 2009**

	<u>2009</u> <u>\$'000</u>	<u>Restated</u> <u>2008</u> <u>\$'000</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net surplus	111,318	184,258
Adjustments for:		
Interest received	985,969	802,552
Interest income	(989,959)	(803,417)
Interest expense	214,119	154,822
Interest paid	(209,463)	(159,150)
Depreciation	7,796	7,184
Loss on disposal of property, plant and equipment	18	-
Impairment adjustment on loans	( 4,550)	30,817
Donations	( 1,899)	( 1,849)
Operating cash flows before movements in working capital	<u>113,349</u>	<u>215,217</u>
Changes in operating assets and liabilities:		
Loans receivable	(780,274)	(536,731)
Other assets	( 8,527)	( 7,610)
Retirement benefit assets	33,164	( 19,314)
Members' deposits	408,565	306,361
Members' voluntary shares	455,986	284,587
Other liabilities	<u>1,025</u>	<u>6,710</u>
Net cash provided by operating activities	<u>223,288</u>	<u>249,220</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	( 8,425)	( 10,491)
Proceeds from disposal of property, plant and equipment	637	-
Liquid assets	(122,038)	(128,869)
Reverse repurchase agreements	( 79,939)	(118,745)
Financial investments	<u>(11,143)</u>	<u>( 17,424)</u>
Net cash used in investing activities	<u>(220,908)</u>	<u>(275,529)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Shares buy back	( 109)	-
External credit	( 4,013)	( 4,005)
Entrance fee	<u>29</u>	<u>16</u>
Net cash used in financing activities	<u>( 4,093)</u>	<u>( 3,989)</u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>( 1,713)</b>	<b>( 30,298)</b>
Cash and cash equivalents at beginning of year	<u>17,225</u>	<u>47,523</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>15,512</u></b>	<b><u>17,225</u></b>

**JAMAICA TEACHERS' ASSOCIATION**  
**CO-OPERATIVE CREDIT UNION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2009**

**1. STATUS AND PRINCIPAL ACTIVITIES:**

Jamaica Teachers' Association Co-operative Credit Union Limited is incorporated under the laws of Jamaica and is registered under the Co-operative Societies Act, and has its registered office at 97a Church Street, Kingston, Jamaica.

The main activities of the Credit Union are to promote thrift among its members by affording them an opportunity to accumulate their savings and to create for them a source of credit for provident or productive purposes at a reasonable rate of interest.

Membership to the Credit Union is obtained by the holding of members' shares, which are deposits available for withdrawals on demand. Individual membership may not exceed 20% of the total of the members' shares of the credit union.

**2. REGULATION:**

The Co-operative Societies Act requires, among other provisions, that at least 20% of the net surplus of the Credit Union be transferred annually to a reserve fund. Section 59 (1) & (11) of the Act provides for the exemption from income tax and stamp duty for the Credit Union.

**3. FUNCTIONAL AND PRESENTATION CURRENCY:**

These financial statements are presented in Jamaican dollars which is the Credit Union's functional currency. Except where indicated to be otherwise, financial information presented are shown in thousands of Jamaican dollars.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The principal accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied to all the year presented. Where necessary, prior year comparatives have been restated and reclassified to conform to current year presentation.

**JAMAICA TEACHERS' ASSOCIATION**  
**CO-OPERATIVE CREDIT UNION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2009**

4. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(a) **Basis of preparation -**

The Credit Union's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations adopted by the International Accounting Standards Board, and have been prepared under the historical cost convention as modified by the revaluation of certain financial assets and property, plant and equipment. They are also prepared in accordance with provisions of the Co-operatives Societies Act.

The financial statements comprise the statement of comprehensive income shown as two statements, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes.

The preparation of financial statements to conform to IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and contingent liabilities at the date of the balance sheet and the revenue and expenses during the reporting period. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis and any adjustments that may be necessary would be reflected in the year in which actual results are known. The areas involving a higher degree of judgment in complexity or areas where assumptions or estimates are significant to the financial statements are described in note 5.

(b) **Changes in accounting policies and disclosures -**

In previous years, members' shares available for withdrawal were classified as equity, and the dividends paid on those shares were reported as an appropriation of Accumulated Surplus. This treatment did not conform to the requirements of IFRIC Interpretation 2 - Members' Shares in Co-operative Entities and Similar Instruments.

At the Annual General Meeting of the Credit Union held on 9 May 2009, a resolution was passed by the members to account for members' voluntary shares as liabilities, in accordance with the requirements of IFRS. Accordingly, the Credit Union has amended its accounting policy in respect of these shares and members' shares available for withdrawal are now classified as liabilities and the dividends paid on those shares are reported as a component of interest expense in the statement of income in arriving at the net surplus for the year.

**JAMAICA TEACHERS' ASSOCIATION**  
**CO-OPERATIVE CREDIT UNION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2009**

4. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(b) **Changes in accounting policies and disclosures (cont'd) -**

Adoption of the amended policy had the following effect on transactions and balances reported in the previous years:

**Effect on the Statement of Financial Position:**

	<u>2007</u>		
	<u>As previously reported</u>	<u>Restatement</u>	<u>As restated</u>
	<u>\$,000</u>	<u>\$,000</u>	<u>\$,000</u>
<b>CAPITAL AND RESERVES:</b>			
Members' share capital	2,231,487	(2,231,487)	-
<b>CURRENT LIABILITIES:</b>			
Voluntary shares	<u>-</u>	<u>2,231,487</u>	<u>2,231,487</u>

	<u>2008</u>		
	<u>As previously reported</u>	<u>Restatement</u>	<u>As restated</u>
	<u>\$,000</u>	<u>\$,000</u>	<u>\$,000</u>
<b>CAPITAL AND RESERVES:</b>			
Members' share capital	2,516,074	(2,516,074)	-
<b>CURRENT LIABILITIES:</b>			
Voluntary shares	<u>-</u>	<u>2,516,074</u>	<u>2,516,074</u>

**Effect on the Statement of Income:**

	<u>2008</u>		
	<u>As previously reported</u>	<u>Restatement</u>	<u>As restated</u>
	<u>\$,000</u>	<u>\$,000</u>	<u>\$,000</u>
<b>Interest expense:</b>			
Members' voluntary shares	<u>-</u>	<u>122,960</u>	<u>122,960</u>

**JAMAICA TEACHERS' ASSOCIATION**  
**CO-OPERATIVE CREDIT UNION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2009**

4. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(b) **Changes in accounting policies and disclosures (cont'd) -**

**Standards, Interpretations and amendments to published standards effective in the reporting period**

Certain interpretations and amendments to existing standards have been published that became effective during the current financial year. The Credit Union has assessed the relevance of all such interpretations and amendments and has adopted the following, which is immediately relevant to its operations:

**Amendments to IFRS 7: Financial instruments: Disclosures**

The IASB published amendments to IFRS 7 in March 2009. The amendment requires enhanced disclosures about fair value measurements and liquidity risk. In particular the amendment requires disclosures of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on the financial position or comprehensive income of the credit union.

IAS 1(as revised in 2007): Presentation of Financial Statements. The main objective of the revision in IAS 1 was to aggregate information in financial statements on the basis of shared characteristics. Adoption of IAS 1 affected Credit Union's presentation of owner changes in equity and of non-owner changes in equity (comprehensive income). The revision required the presentation of comprehensive income in one or two statements and the Credit Union has adopted the two statement method to present the comprehensive income. Presentation of Credit Union's statement of changes in equity has also been amended to comply with the revisions.

**IFRIC 14, IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction** provides guidance on assessing the limit set in IAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement.

The adoption of these standards and interpretations did not have a material impact on the financial statements.

**JAMAICA TEACHERS' ASSOCIATION**  
**CO-OPERATIVE CREDIT UNION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2009**

4. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(b) **Changes in accounting policies and disclosures (cont'd) -**

**Standards, interpretations and amendments to published standards that are not yet effective**

At the date of authorization of these financial statements, certain new standards, amendments to and interpretations to existing standards have been issued which are not yet effective at the balance sheet date and which the Credit Union has not early-adopted. The Credit Union has assessed the relevance of all such new standards, interpretations and amendments and has determined that the following may be relevant to its operations, and has concluded as follows:

- IFRS 9, Financial instruments - Classification and Measurement of financial assets (effective for annual periods beginning on or after 1 January 2013).
- IAS 1 (Amendment), Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2010).
- IAS 7 (Amendment), Statement of Cash Flows (effective for annual periods beginning on or after 1 January 2010).
- IAS 24 (Revised), Related Party Disclosures - Revised definition of related parties (effective for annual periods beginning on or after 1 January 2011).
- IAS 36 (Amendment), Impairment of Assets (effective for annual periods beginning on or after 1 January 2010).
- IAS 39 (Amendment), Financial instruments: Recognition and Measurement (effective for annual periods beginning on or after 1 January 2010).

(c) **Loans and provision for impairment losses -**

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Credit Union does not intend to sell immediately or in the future.

Loans are recognised when cash is advanced to borrowers. They are initially recorded at cost, which is the cash given to originate the loan including any transaction costs and are subsequently measured at amortised cost using the effective interest rate method.

**JAMAICA TEACHERS' ASSOCIATION**  
**CO-OPERATIVE CREDIT UNION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2009**

4. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(c) **Loans and provision for impairment losses (cont'd) -**

An allowance for impairment is established if there is objective evidence that it is probable that all amounts due according to the original contractual terms will not be collected. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected future cash flows, including amounts recoverable from collateral, discounted at the original effective interest rate of the loans.

A loan is classified as impaired when, in management's opinion, there has been deterioration in credit quality to the extent that there is no longer reasonable assurance of timely collection of the full amount of principal and interest. If the payment on a loan is contractually 3 months in arrears, the loan will be classified as impaired.

When a loan is classified as impaired, recognition in accordance with the original term of the loan is discontinued and interest is taken into account on the cash basis. IFRS requires the increase in the present value of impaired loans due to the passage of time be reported as interest income.

Write-offs are made when all or part of a loan is deemed uncollectible or in the case of debt forgiveness. Write-offs are charged against previously established provisions for credit losses and reduce the principal amount of a loan. Recoveries in part or in full of amounts previously written off are credited to impairment loss expenses in the statement of comprehensive income.

The Credit Union's impairment loss provision requirements, as stipulated by the Jamaica Co-operative Credit Union League that exceeds the IFRS impairment provision are dealt with in a non-distributable loan loss reserve as an appropriation of accumulated surplus.

(d) **Reverse repurchase agreements -**

Securities purchased under agreements to resell are recorded as collateralised financing transactions. The difference between the sale/purchase and repurchase/resale price is treated as interest and accrued over the life of the agreement using the effective yield method.

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4. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

**(e) Investment properties -**

Investment properties, which are properties held to earn rentals, and/or for capital appreciation, is stated at cost less any accumulated depreciation and impairment losses at the balance sheet date.

The gain or loss arising on the disposal or retirement of an investment property is determined as the difference between the sales proceeds and the carrying amount of the property and is recognised in income.

Investment properties, other than land, are depreciated on a straight-line basis over their estimated useful lives on the following basis:

Buildings	2½%
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**(f) Property, plant and equipment -**

Property, plant and equipment are stated at cost less depreciation and impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets , other than land, over the period of their estimated useful lives.

Annual rates are as follows:

Buildings	2½%
Leasehold improvements	10%
Office furniture and equipment	10%
Computers	20%

**(g) Employee benefits -**

**(i) Retirement benefit asset -**

The Credit Union participates in a multi-employer defined benefit pension scheme. The pension scheme is generally funded by payments from employees and the Credit Union, taking into account the recommendation of independent qualified actuaries.

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4. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

**(g) Employee benefits (cont'd) -**

**(i) Retirement benefit asset (cont'd) -**

The assets or liabilities in respect of defined benefit plans is the difference between the present value of the defined benefit obligation at the balance sheet date and the fair value of plan assets, adjusted for unrecognized actuarial gains/losses and past service costs. Where a pension asset arises, the amount recognised is limited to the net total of any cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefit available in the form of refunds from the plan or future reduction in future contributions to the plan. The pension plan costs are assessed using the projected unit credit method. Under this method, the cost of providing pension is charged to the income and expenditure account so as to spread the regular cost of service over the service lives of the employees in accordance with the advice of the actuaries, who carry out a full valuation of the plan every year. The pension obligation is measured as the present value of the estimated future cash outflows using discount rates based on market yields on government securities which have terms to maturity approximating the terms of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of defined benefit obligations are charged or credited to income over the employees' expected average remaining working lives.

**(ii) Leave accrual -**

All outstanding leave is recognised in the revenue and expenditure account.

**(h) Financial instruments -**

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity of another enterprise.

**Recognition -**

The Credit Union initially recognizes loans and deposits on the date that they are originated. All other financial assets and liabilities are initially recognized on the settlement date, at which the Credit Union becomes a party to the contractual provisions of the instrument.

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4. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(h) **Financial instruments (cont'd) -**

**Derecognition -**

The Credit Union derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Credit Union derecognizes a financial liability when its contractual obligations are discharged, cancelled or have expired.

**Financial assets -**

The Credit Union classifies its financial assets in the categories of loans and receivables and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(i) **Loans and receivables -**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Credit Union provides money or services directly to a debtor with no intention of trading the receivable.

(ii) **Available-for-sale -**

Available-for sale investments are those intended to be held for an indefinite period of time, and may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Available-for-sale financial assets are carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized in other comprehensive income and are accumulated in the fair value reserve, until the financial assets are derecognized or impaired, at which time the cumulative gains or losses previously recognized in equity are recognized in profit and loss. However, interest, which is calculated using the effective interest method, is recognized in the surplus or deficit for the period.

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4. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(h) **Financial instruments (cont'd) -**

**Financial assets (cont'd) -**

A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of income. The amount of the impairment loss for an asset carried at amortized cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the original effective interest rate. The recoverable amount of a financial asset carried at fair value is the present value of expected future cash flows discounted at the current market interest rate for a similar financial asset. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the statement of income.

**Financial liabilities -**

The Credit Union's financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method. At the balance sheet date members' deposits and external credit were classified as financial liabilities.

(i) **Other assets -**

Receivables are carried at anticipated realizable value. An estimate is made for doubtful receivables based on all outstanding amounts at year end. Bad debts are written off in the year in which they are identified.

(j) **Revenue recognition -**

**Interest and expense**

Interest income and expense are recognized in the statement of income for all interest-bearing instruments on an accrual basis, using the effective yield method, based on the actual purchase price. Interest income includes coupons earned on fixed income investments and accrued discounts or premiums on treasury bills and other discounted instruments.

Where collection of interest income is considered doubtful, the related financial instruments are written down to their recoverable amounts and interest income is thereafter recognized based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

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4. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

**(j) Revenue recognition (cont'd) -**

**Fees and other income -**

Fees and rental income are recognized on an accrual basis. Loan origination fees are recognized over the life of the loan, as an adjustment to the effective yield on the loans.

Dividend income from equity financial investments is recognized when the shareholder's right to receive payment has been established.

**(k) Cash and cash equivalents -**

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and in bank and deposits not held to satisfy statutory requirements, net of bank overdraft.

**(l) Leases -**

Leases of property where the entity has substantially all the risks and rewards of ownership are classified as finance leases. The lease payment is charged as an expense and included in the revenue and expenditure statement. Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases are charged as an expense in the statement of comprehensive income on the straight line basis over the period of the lease.

**(m) Foreign currency translation -**

Transactions in foreign currencies are converted at the exchange rates prevailing at the dates of the transactions. At the balance sheet date, monetary assets and liabilities denominated in foreign currency are translated using the exchange rate ruling at balance sheet date. Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognised in the statement of comprehensive income.

**(n) League fees and stabilization dues -**

The Jamaica Co-operative Credit Union League has fixed its League Fees to 0.25% of total assets, while stabilization dues is set at 0.35% of total savings.

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4. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(o) **Members' shares -**

Permanent shares

Permanent shares may be transferred by members to another but are not available for withdrawal. Permanent shares are classified as equity.

Voluntary shares

Members' voluntary shares represent deposit holdings of the Credit Union's members, to satisfy membership requirements and to facilitate eligibility for loans and other benefits. These shares are classified as financial liabilities. Dividends payable on these shares are determined at the discretion of the Credit Union and reported as interest in the statement of income in the period in which they are approved.

(p) **Impairment -**

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognized in the statement of revenue and expenses.

5. **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES:**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the process of applying the Credit Union's accounting policies, management has made the following critical accounting estimates or judgements which it believes has a significant risk of causing a material misstatement in these financial statements.

**Key Sources of Estimation Uncertainty**

**Impairment losses on loans to members**

The Credit Union reviews its loans portfolio to assess to assess impairment on a monthly basis. A provision for impairment is established if there is objective evidence that a loan is impaired. A loan is considered impaired when management determines that it is probable that all amounts due according to the original contractual terms will not be collected.

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5. **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONT'D):**

**Key Sources of Estimation Uncertainty (cont'd)**

**Impairment losses on loans to members (cont'd)**

When a loan has been identified as impaired, the carrying amount of the loan is reduced by recording specific provisions for credit losses to its estimated recoverable amount, which is the present value of expected future cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan. Past experience and judgement are used in estimating the timing of the expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to minimize any differences between loss estimates and actual loss experience.

**Employee Benefit - Pension Obligation**

As disclosed in note 15, the Credit Union participates in a multi-employer defined benefit pension plan. The amount shown in the balance sheet of an asset of approximately \$113 million in respect of the defined benefits plan is subject to estimates in respect of periodic costs which costs are dependent on returns on assets, future discount rates, rates of salary increases and the inflation rate.

The estimated return on pension assets assumption is determined by considering long-term historical returns, asset allocation and future estimates of long-term investment returns. The Credit Union, on advice of actuaries, estimates the appropriate discount rate annually which rate is used to determine the present value of estimated cash outflows expected to be required to settle any future pension obligation.

To determine the appropriate discount rate in the absence of high quality corporate bonds, the interest rate on government bonds that have maturities approximating the related pension liabilities were considered.

Judgement is also exercised in determining the proportionate share of the defined benefit obligation, plan assets and cost as well as the extent that the surplus or deficit in the plan may affect the future contributions for each individual employer in the plan.

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**6. FINANCIAL RISK MANAGEMENT:**

By its nature, the Credit Union's activities are principally related to the use of financial instruments. Therefore this will involve analysis, evaluation and management of some degree of risk or combination of risks. The Credit Union's aim is therefore to achieve an appropriate balance between risks and return and minimize potential adverse effects on the Credit Union's financial performance.

The Board of Directors has overall responsibility for the establishment and oversight of the Credit Union's risk management framework. The Credit Union's risk management policies are designed to identify and analyse the risks faced by the Credit Union, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Board through the following committees is responsible for monitoring compliance with the Credit Union's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Credit Union. The most important types of risks are credit risk, liquidity risk and market risk. Market risk includes currency risk and interest rate risk.

(i) Supervisory Committee

The Supervisory Committee oversees the performance of personnel and systems within the Credit Union and ensures that internal procedures and controls are adhered to. The Supervisory Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of management controls and procedures, the results of which are reported to the Supervisory Committee.

(ii) Credit Committee

The Credit Committee oversees the approval and disbursements of credit facilities to members. It is also primarily responsible for monitoring the quality of loan portfolio and assessing the adequacy of provisions for non-performing facilities.

(iii) Finance Committee

The Finance Committee is responsible for managing the Credit Union's assets and liabilities and the overall financial structure. The Finance Committee is also responsible for monitoring and formulating investment portfolios and investment strategies for the Credit Union.

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**6. FINANCIAL RISK MANAGEMENT (CONT'D):**

(a) Credit risk -

The Credit Union takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss by being unable to pay amounts in full when due. Credit exposures arise principally in lending activities that lead to loans (including guarantees and other credit commitments) and investment activities that bring debt securities into the Credit Union's assets portfolio.

The management of credit risk in respect of loans to members and commitments is delegated to the Credit Committee. The Committee is responsible for oversight of the Credit Union's credit risk, including formulating credit policies, establishing the authorization structure for approval of credit facilities, reviewing and assessing credit risk, limiting concentration of exposure to counterparties and developing and maintaining the Credit Union's risk gradings. There is a documented credit policy in place, which guides the Credit Union's credit review process.

The Credit Union manages the levels of credit risk they undertake by placing limits on the amount of risk accepted in relation to any one borrower, or group of borrowers. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk by product are approved by the Board of Directors.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and personal guarantees. The principal collateral types for loans are:

- Charges over assets such as premises; and
- Charges over financial instruments.

Management monitors the market value of collateral held during its review of the adequacy of the provision for credit losses.

Borrowers of the Credit Union are segmented into two internal rating classes performing and non-performing.

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6. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(a) Credit risk (cont'd) -

*Impairment*

The Credit Union assesses at each balance sheet date whether there is evidence of impairment in accordance with general principles and methodology set out in IAS 39 and the relevant implementation guidance. These procedures include the following steps:

- Identification of events that provide objective evidence that a loan is impaired.
- Establishment of criteria for assessment on an individual or collective basis.
- Establishment of groups of assets with similar characteristics.
- Establishing methodology to be used in determining cash flows from impaired loans.
- Determining interest income recognition.
- Recoverables.

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 30 days based on the established PEARLS grid recommended by the League or based on any known difficulties in the cash flows of counterparties, credit rating downgrades or infringement of the original terms of the contract.

The Credit Union addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances. The assessment applied to individually significant accounts normally encompassed collateral held and the anticipated receipts for that individual account. Collectively assessed allowances are determined through the application of PEARLS prescribed percentages to the aging profiles of the loan portfolio.

The internal rating system described above focuses more on credit-quality mapping from the inception of lending activities. In contrast, impairment provisions are recognized for financial reporting purposes only for losses that have been incurred at the balance sheet date based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management and regulatory purposes.

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6. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(a) Credit risk (cont'd) -

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria set out by the Credit Union:

- Delinquency in contractual payments of principal and interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of revenue);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

The impairment provision shown in the balance sheet at year end is derived from the two internal rating grades. However, the majority of the impairment comes from the non-performing rating class.

The table below shows the Credit Union's loans and the associated impairment provision for each internal rating class:

	<u>2009</u>		<u>2008</u>	
	<u>Loans</u> <u>\$'000</u>	<u>Impairment</u> <u>Provision</u> <u>\$'000</u>	<u>Loans</u> <u>\$'000</u>	<u>Impairment</u> <u>Provision</u> <u>\$'000</u>
Performing	4,695,988	-	3,878,447	-
Non-performing	<u>94,516</u>	<u>32,041</u>	<u>131,854</u>	<u>40,652</u>
	<u>4,790,504</u>	<u>32,041</u>	<u>4,010,301</u>	<u>40,652</u>

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6. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(a) Credit risk (cont'd) -

*Credit risk exposure*

Maximum exposure to credit risk before collateral held or other credit enhancements are as follows:

	<u>2009</u> <u>\$'000</u>	<u>2008</u> <u>\$'000</u>
On balance sheet -		
Loans to members, net of provision for impairment	4,758,463	3,969,649
Liquid assets - earning	712,499	589,786
Financial investments	163,619	148,597
Cash and bank balances (excluding cash on hand)	13,679	16,067
Securities purchased under agreements to resell	<u>359,533</u>	<u>279,594</u>
	<u>6,007,793</u>	<u>5,003,693</u>

Credit exposure relating to off-balance sheet items are as follows:

Loan commitments	<u>22,581</u>	<u>25,390</u>
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The table above represents a worst case scenario of credit risk exposure to the Credit Union at 31 December 2009 and 2008, without taking account of any collateral held or other credit enhancements. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

*Credit quality of loans*

The credit quality of loans is summarized as follows:

	<u>2009</u> <u>\$'000</u>	<u>2008</u> <u>\$'000</u>
Performing -		
Neither past due nor impaired	4,695,988	3,878,447
Non-performing -		
Past due but not impaired	38,475	61,323
Impaired	<u>56,041</u>	<u>70,531</u>
	<u>94,516</u>	<u>131,854</u>
	4,790,504	4,010,301
Less: Provision for loan losses	<u>( 32,041)</u>	<u>( 40,652)</u>
	<u>4,758,463</u>	<u>3,969,649</u>

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6. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(a) Credit risk (cont'd) -

*Credit quality of loans (cont'd)*

Aged analysis of past due but not impaired loans:

	<u>2009</u> <u>\$'000</u>	<u>2008</u> <u>\$'000</u>
2 to 3 months	14,633	11,556
3 to 6 months	10,703	7,398
6 to 12 months	7,729	13,803
Over 12 months	<u>5,410</u>	<u>28,566</u>
	<u>38,475</u>	<u>61,323</u>

There are no financial assets other than loans that are past due.

The estimated fair value of collateral held as security against individually impaired loans were \$25,543,926 (2008: \$38,717,241). In respect of loans that are past due but not impaired, the estimated fair value is \$38,475,247 (2008: \$61,323,836).

Concentration of risk

*Loans*

The following table summarises the Credit Union's credit exposure for consumer loans at their carrying amounts:

	<u>2009</u> <u>\$'000</u>	<u>2008</u> <u>\$'000</u>
Construction and real estate	129,663	120,656
Education	404,877	371,702
Personal	1,462,482	1,280,161
Motor vehicle	983,283	593,367
General loans	<u>1,791,715</u>	<u>1,629,921</u>
	4,772,020	3,995,807
Less: Allowance for loan impairment	<u>( 32,041)</u>	<u>( 40,652)</u>
	4,739,979	3,955,155
Interest receivable	<u>18,484</u>	<u>14,494</u>
	<u>4,758,463</u>	<u>3,969,649</u>

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6. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(a) Credit risk (cont'd) -

*Debt securities*

The following table summarises the Credit Union's credit exposure for debt securities at their carrying amounts, as categorized by the issuer:

	<u>2009</u> <u>\$'000</u>	<u>2008</u> <u>\$'000</u>
Government of Jamaica	39,526	19,526
Jamaica Co-op Credit Union League	686,038	587,050
Financial institutions	<u>359,533</u>	<u>279,594</u>
	<u>1,085,097</u>	<u>886,170</u>

(b) Liquidity risk -

The Credit Union is exposed to daily calls on their available cash resources from maturing deposits, loan draw-downs and guarantees. The Credit Union does not maintain cash resources to meet all of these needs as experience shows that a minimum reinvestment of maturing funds and the level of loan draw-downs can be predicted with a high degree of certainty.

The Credit Union's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under both normal and unexpected level of demands. Prudent liquidity risk management which the Credit Union uses includes maintaining sufficient cash and marketable securities, monitoring future cash flows and liquidity on a daily basis and maintaining an adequate amount of committed facilities.

The Credit Union manages this risk by keeping a substantial portion of its financial assets in liquid form in accordance with regulatory guidelines. Liquid assets are held with a number of reputable financial institutions, are monitored by the Credit Union's management on a regular basis, and are protected by way of Fidelity Insurance coverage.

The Credit Union is subject to a liquidity limit imposed by the Jamaica Co-operative Credit Union League and compliance is regularly monitored. The key measure used by the Credit Union for managing liquid risk is the ratio of liquid assets minus short-term payables to total savings.

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6. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(b) Liquidity risk (cont'd) -

For this purpose, liquid assets include cash, bank balances and all liquid investments with maturity date of nine months or less. The liquid asset ratio at the end of the year was 18% (2008 - 15%).

The Credit Union is also required to hold a liquidity reserve requirement of 10% of specific liabilities. A minimum 8% is to be held with the Jamaica Co-operative Credit Union League while a maximum 2% can be held with approved financial institutions. The Credit Union was in compliance with the liquidity reserve requirement at the end of the year.

There has been no change to the Credit Union's exposure to liquidity risk or the manner in which it manages and measures the risk.

The table below analyzes the assets and liabilities of the Credit Union into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

	2009					Total \$'000
	Within 3 Months \$'000	3 to 12 Months \$'000	1-5 Years \$'000	Over 5 Years \$'000	Other \$'000	
<b>Assets:</b>						
Cash and bank	13,722	-	-	-	-	13,722
Liquid assets	398,407	314,092	-	-	-	712,499
Reverse repurchase agreements	180,699	178,834	-	-	-	359,533
Financial investments	-	-	-	134,200	29,419	163,619
Loans, after provision for impairment	55,081	115,002	4,032,063	556,317	-	4,758,463
Other	-	-	-	-	195,882	195,882
<b>Total assets</b>	<u>647,909</u>	<u>607,928</u>	<u>4,032,063</u>	<u>690,517</u>	<u>225,301</u>	<u>6,203,718</u>
<b>Liabilities:</b>						
Members' deposits	1,014,233	112,903	471,320	145,819	190,164	1,934,439
External credit	-	4,013	587	21,028	-	25,628
Other liabilities	-	-	-	-	51,827	51,827
<b>Total liabilities</b>	<u>1,014,233</u>	<u>116,916</u>	<u>471,907</u>	<u>166,847</u>	<u>241,991</u>	<u>2,011,894</u>
<b>Net Liquid Gap</b>	( <u>366,324</u> )	<u>491,012</u>	<u>3,560,156</u>	<u>523,670</u>	( <u>16,690</u> )	<u>4,191,824</u>
<b>Cumulative Liquid Gap</b>	( <u>366,324</u> )	<u>124,688</u>	<u>3,684,844</u>	<u>4,208,514</u>	<u>4,191,824</u>	

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6. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(b) Liquidity risk (cont'd) -

**As at 31 December 2008:**

Total assets	571,041	351,192	3,916,796	122,715	262,537	5,224,281
Total liabilities	<u>698,349</u>	<u>30,994</u>	<u>376,604</u>	<u>283,025</u>	<u>212,689</u>	<u>1,601,661</u>
Net Liquid Gap	<u>( 127,308)</u>	<u>320,198</u>	<u>3,540,192</u>	<u>( 160,310)</u>	<u>49,848</u>	<u>3,622,620</u>

**Cumulative**

<b>Liquid Gap</b>	<u>( 127,308)</u>	<u>192,890</u>	<u>3,733,082</u>	<u>3,572,772</u>	<u>3,622,620</u>
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While members' share capital is classified as capital, these shares can be withdrawn at the option of the members and will therefore affect the liquidity position of the Credit Union. These have no contractual maturity. The amounts included in the analysis are based on management's estimate of expected cash flows on these instruments as determined by retention history. These may vary significantly from actual cash flows, which are generally expected to maintain a stable balance.

(c) Market risk -

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. These arises mainly from changes in interest rate, foreign currency rate and equity prices and will affect the Credit Union's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. Market risk exposures are measured using sensitivity analysis.

There has been no change to the Credit Union's exposure to market risks or the manner in which it manages and measures the risk.

(i) Currency risk

Currency risk is the risk that the market value of, or the cash flows from, financial instruments will vary because of exchange rate fluctuations. The Credit Union is exposed to foreign currency risk due to fluctuations in exchange rates on transactions and balances that are denominated in currencies other than the Jamaican dollar. The Credit Union is primarily exposed to the United States dollar (US\$).

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6. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(c) Market risk (cont'd) -

(i) Currency risk (cont'd) -

The Credit Union's exposure to foreign currency risk at balance sheet date was as follows:

	<u>2009</u> <u>US\$</u> <u>'000</u>	<u>2008</u> <u>US\$</u> <u>'000</u>
Liquid assets - earning	20	14
Reverse repurchase agreement	241	218
Financial investments	<u>161</u>	<u>161</u>
	<u>422</u>	<u>393</u>

(ii) Interest rate risk

Interest rate risk is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. It arises when there is a mismatch between interest-earning assets and interest-bearing liabilities, which are subject to interest rate adjustments within a specified period. It can be reflected as a loss of future net interest income and/or a loss of current market values. Interest rate risk is managed by holding primarily fixed rate financial instruments.

A summary of the Credit Union's interest rate gap position is as follows:

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## 6. FINANCIAL RISK MANAGEMENT (CONT'D):

(c) Market risk (cont'd) -

(ii) Interest rate risk (cont'd)

	2009					<u>Total</u> \$'000
	<u>Within 3</u> <u>Months</u> \$'000	<u>3 to 12</u> <u>Months</u> \$'000	<u>1-5</u> <u>Years</u> \$'000	<u>Over 5</u> <u>Years</u> \$'000	<u>Non-interest</u> <u>Bearing</u> \$'000	
<b>Assets:</b>						
Cash and bank	13,722	-	-	-	-	13,722
Liquid assets	398,407	314,092	-	-	-	712,499
Reverse repurchase agreements	180,699	178,834	-	-	-	359,533
Financial investments	-	-	-	134,200	29,419	163,619
Loans, after provision for impairment	55,081	115,002	4,032,063	556,317	-	4,758,463
Other	-	-	-	-	195,882	195,882
<b>Total</b>	<u>647,909</u>	<u>607,928</u>	<u>4,032,063</u>	<u>690,517</u>	<u>225,301</u>	<u>6,203,718</u>
<b>Liabilities and Equity:</b>						
Members' deposits	1,014,233	112,903	471,320	145,819	190,164	1,934,439
External credit	-	4,013	587	21,028	-	25,628
Members' equity	-	-	-	-	4,191,824	4,191,824
Other liabilities	-	-	-	-	51,827	51,827
<b>Total</b>	<u>1,014,233</u>	<u>116,916</u>	<u>471,907</u>	<u>166,847</u>	<u>4,433,815</u>	<u>6,203,718</u>
<b>Total Interest Rate Sensitivity Gap</b>	( 366,324)	491,012	3,560,156	523,670	(4,208,514)	-
<b>Cumulative Interest Sensitivity Gap</b>	( 366,324)	124,688	3,684,844	4,208,514	-	-
<b>As at 31 December 2008:</b>						
	<u>Within 3</u> <u>Months</u> \$'000	<u>3 to 12</u> <u>Months</u> \$'000	<u>1-5</u> <u>Years</u> \$'000	<u>Over 5</u> <u>Years</u> \$'000	<u>Non-interest</u> <u>Bearing</u> \$'000	<u>Total</u> \$'000
Total assets	571,041	351,192	3,916,796	122,715	262,537	5,224,281
Total liabilities and equity	698,349	30,994	376,604	283,025	3,835,309	5,224,281
<b>Total Interest Rate Sensitivity Gap</b>	( 127,308)	320,198	3,540,192	( 160,310)	(3,572,772)	-
<b>Cumulative Interest Sensitivity Gap</b>	( 127,308)	192,890	3,733,082	3,572,772	-	-

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6. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(c) Market risk (cont'd) -

(ii) Interest rate risk (cont'd)

Average effective yields by earlier of the contractual re-pricing or maturity dates:

	<b>2009</b>				Weighted Average %
	Within 3 Months %	3 to 12 Months %	1 to 5 Years %	Over 5 Years %	
	Loans	21.22	18.81	18.76	
Liquid assets	11.76	16.51	-	-	14.03
Reverse repurchase agreement	20.37	17.44	-	-	18.93
Financial investments	-	-	-	9.66	9.66
Members' deposits	11.74	13.54	12.12	8.52	11.66
Other borrowed funds	-	6.00	12.00	12.00	11.87

	<b>2008</b>				Weighted Average %
	Within 3 Months %	3 to 12 Months %	1 to 5 Years %	Over 5 Years %	
	Loans	21.34	18.99	18.22	
Liquid assets	12.87	15.47	-	-	13.96
Reverse repurchase agreement	15.63	20.62	-	-	17.46
Financial investments	-	-	10.18	9.93	10.13
Members' deposits	11.59	13.65	13.95	12.55	12.28
Other borrowed funds	-	-	10.39	12.00	10.63

(iii) Equity price risk

Equity price risk arises out of price fluctuations in the equity prices. The risk arises out of holding positions in either individual stocks (idiosyncratic risk) or in the market as a whole (system risk). The goal is to earn dividend income and realize capital gains sufficient to offset the interest foregone in holding such long-term positions.

The Board sets limits on the level of exposure, and diversification is a key strategy employed to reduce the impact on the portfolio, which may result from the non-performance of a specific class of assets. Given the potential volatility in the value of equities and the non-interest bearing characteristics of these instruments, the Credit Union limits the amount invested in them.

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**6. FINANCIAL RISK MANAGEMENT (CONT'D):**

(d) Capital management -

The Credit Union's objectives when managing institutional capital, which is a broader concept than the "equity" on the face of statement of financial position are:

- (i) To comply with the capital requirements set by the Jamaica Co-operative Credit Union League and the Bank of Jamaica for the financial sector in which the Credit Union operates;
- (ii) To safeguard the Credit Union's ability to continue as a going concern so that it can continue to provide returns and benefits for members;
- (iii) To maintain an 8% ratio of institutional capital to total assets; and
- (iv) To maintain a strong capital base to support the development of its business through the allocation of at least 20% of net surplus to institutional capital.

Capital adequacy and the use of regulatory capital are monitored by the Credit Union's management, based on the guidelines in its Capital Asset Management Policy. The Jamaica Co-operative Credit Union League currently requires member credit unions to maintain a minimum level of the institutional capital at 8% of total assets. At the balance sheet date, this ratio was 12% which is in compliance with the requirements.

The proposed Bank of Jamaica regulations require the League to ensure that member Credit Unions:

- (i) Hold a minimum level of the regulatory capital of 6% of total assets; and
- (ii) Maintain a ratio of total regulatory capital to risk-weighted assets at or above 10%.

The table below summarises the composition of regulatory capital and the ratios of the Credit Union as at 31 December 2009 and 2008. During the year, the Credit Union complied with all externally imposed capital requirements to which they are subject.

	<u>Actual</u> <u>2009</u> <u>\$'000</u>	<u>Required</u> <u>2009</u> <u>\$'000</u>	<u>Actual</u> <u>2008</u> <u>\$'000</u>	<u>Required</u> <u>2008</u> <u>\$'000</u>
Total regulatory capital	<u>765,614</u>	<u>571,400</u>	<u>627,409</u>	<u>417,942</u>
Total capital ratio	<u>13%</u>	<u>10%</u>	<u>13%</u>	<u>10%</u>

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**7. FAIR VALUE OF FINANCIAL INSTRUMENTS:**

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by quoted market price if one exists. Some of the Credit Union's financial instruments lack an available trading market. Therefore, these instruments have been valued using present value or other valuation techniques and may not necessarily be indicative of the amounts realizable in the immediate settlement of the instruments.

Fair values are estimated as follows -

- (i) The fair value of liquid and other assets maturing within one year is assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities.
- (ii) The fair value of demand deposits with no specific maturity is assumed to be the amount payable on demand at the balance sheet date.
- (iii) The fair value of variable rate financial instruments is assumed to approximate their carrying amounts.
- (iv) The carrying value of external credit approximates its fair values, as these loans are carried at amortised cost reflecting their contractual obligations and the interest rates are reflective of current market rates for similar transactions.
- (v) The fair value of fixed rate loans is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. For match-funded loans the fair value is assumed to be equal to their carrying value, as gains and losses offset each other. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values, as the impact of credit risk is recognized separately by deducting the amount of the provisions for credit losses from both book and fair values.
- (vi) Unquoted equities classified as available-for-sale are measured at historical cost less impairment, as their fair values cannot be reliably determined.
- (vii) The fair values of quoted investments are based on current bid prices. If there is no active market for investments, the Credit Union establishes fair value by using valuation techniques, such as reference to recent arm's maximum use of market inputs.

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8.	<b>NON-INTEREST INCOME:</b>	<u>2009</u> <u>\$'000</u>	<u>2008</u> <u>\$'000</u>
	ATM fees	( 381)	( 2,845)
	Other fees	12,561	9,565
	Exchange gains from holding foreign currency deposits	2,869	2,711
	Dividends from equity securities available for sale	993	769
	Operating lease income	1,167	1,442
	Miscellaneous income	<u>9,284</u>	<u>5,744</u>
		<u>26,493</u>	<u>17,386</u>
9.	<b>SALARIES AND OTHER STAFF COSTS:</b>	<u>2009</u> <u>\$'000</u>	<u>2008</u> <u>\$'000</u>
	Wages and salaries	139,691	113,152
	Payroll taxes	14,952	11,652
	Pension cost (note 15)	43,387	( 11,083)
	Other staff benefits	<u>45,303</u>	<u>42,508</u>
		<u>243,333</u>	<u>156,229</u>
	The number of persons employed at 31 December:-		
	Permanent staff	88	86
	Temporary staff	<u>14</u>	<u>13</u>
		<u>102</u>	<u>99</u>
10.	<b>NET SURPLUS FOR THE YEAR:</b>		
	Stated after charging the following:		
		<u>2009</u> <u>\$'000</u>	<u>2008</u> <u>\$'000</u>
	Depreciation	7,796	7,184
	Auditors' remuneration (including GCT)	<u>3,603</u>	<u>3,601</u>

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## 11. FINANCIAL INVESTMENTS:

	<u>2009</u> <u>\$'000</u>	<u>2008</u> <u>\$'000</u>
<b>Non-Current:</b>		
Available-for-sale at fair value -		
Quoted equities	16,479	14,140
Jamaica Co-operative Credit Union League Limited -		
Cu-premium	2,903	2,544
Mortgage funds	81,170	74,209
Other	<u>31,765</u>	<u>28,730</u>
	132,317	119,623
Available-for-sale, at historical value -		
Unquoted equities	9,468	9,270
NUCS-CIS investment	1,000	-
QNET deposit	<u>2,472</u>	<u>2,472</u>
	<u>145,257</u>	<u>131,365</u>
<b>Current:</b>		
Victoria Mutual Building Society deposit	<u>18,362</u>	<u>17,232</u>

- (a) Quoted equities represent units held in the Jamaica Unit Trust.
- (b) The rules of the League stipulate that the Credit Union must invest 5% of the net increase in the members' share accounts in the League's Mortgage Fund instruments. These instruments are used to secure joint mortgage facilities, which are extended to the members of the Credit Union.
- (c) Unquoted equities represent shares held in the League. A minimum of 1,000,000 shares, each with a par value of \$1.00, must be held with the League for the Credit Union to retain membership status. The equivalent of amounts held in the statutory reserve (Note 21) must either be used to purchase League shares or placed in League term deposits (Note 16).
- (d) NUCS-CIS investment represents shares purchased in NUCS Co-operative Insurance Services Limited from a share offer underwritten by the Jamaica Co-operative Credit Union League. The Credit Union initially applied for 3 million shares but only paid for 1 million at the time of the audit.
- (e) The QNET deposit represents investment by the Credit Union in the company which will provide information services to participating credit unions. In total, the participating credit unions will account for 80% of the cost of the project and the remaining 20% will be funded by the League.

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12. **LOANS:**

Movement in loans during the year is as follows -

	<u>2009</u> <u>\$'000</u>	<u>2008</u> <u>\$'000</u>
Balance at beginning of year	3,995,807	3,468,209
Add: disbursements and transfers	<u>2,373,745</u>	<u>1,942,671</u>
	6,369,552	5,410,880
Less: repayments and transfers	<u>(1,597,532)</u>	<u>(1,415,073)</u>
	4,772,020	3,995,807
Less: Allowance for loan impairment	<u>( 32,041)</u>	<u>( 40,652)</u>
	4,739,979	3,955,155
Interest receivable	<u>18,484</u>	<u>14,494</u>
	4,758,463	3,969,649
Less: current portion	<u>( 170,083)</u>	<u>( 52,853)</u>
	<u>4,588,380</u>	<u>3,916,796</u>

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12. **LOANS (CONT'D):**

Delinquent loans -

The total loan loss provision derived below, is consistent with the loan loss provisioning rules of the League at 31 December 2009:

<u>Months in arrears</u>	<u>Number of accounts in arrears</u>	<u>Delinquent Loans \$'000</u>	<u>Savings held against Loans \$'000</u>	<u>Portion of Loans not covered by savings by savings \$'000</u>	<u>Statutory Loan Loss Provision \$'000</u>	<u>Provision Rate %</u>
2 - 3 months	54	17,375	9,085	8,290	1,738	10
4 - 6 months	79	17,533	9,794	7,739	5,260	30
7 - 12 months	144	23,476	13,890	9,586	14,086	60
13 months and over	<u>210</u>	<u>36,133</u>	<u>9,026</u>	<u>27,107</u>	<u>36,133</u>	<u>100</u>
	<u>487</u>	<u>94,517</u>	<u>41,795</u>	<u>52,722</u>	<u>57,217</u>	

The interest in respect to non-performing loans which have been excluded from the statement of income was \$18,250,402 (2008: \$18,670,321).

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**12. LOANS (CONT'D):**

Delinquent loans (cont'd) -

Loans on which interest is suspended amounted to \$77,141,708 (2008: \$139,724,651). These loans are included in the financial statements at their estimated net realizable value of \$55,522,694 (2008: \$115,003,267).

Based on past experience, the Credit Union believes that no impairment allowance is necessary in respect of loans to members not past due or impaired as delinquency ratio has been historically low.

Allowance for loan losses -

The movement in the allowance for impairment determined under the requirements of IFRS is as follows:

	<u>2009</u> <u>\$'000</u>	<u>2008</u> <u>\$'000</u>
Balance at beginning of year	40,652	14,639
(Credited)/debited to revenue during the year	( 4,550)	30,817
Bad debt written off	( 4,061)	( 4,804)
	<u>32,041</u>	<u>40,652</u>

The allowance for impairment determined under JCCUL regulatory requirement is as follows -

	<u>2009</u> <u>\$'000</u>	<u>2008</u> <u>\$'000</u>
IFRS provision as above	32,041	40,652
Loan loss reserve (note 22)	<u>25,176</u>	<u>9,653</u>
	<u>57,217</u>	<u>50,305</u>

The allowance for impairment under the JCCUL regulatory requirement for 2009 is in excess of the provision required under IFRS provisioning rules. The excess of the League's provision over the IFRS provision is dealt with through a transfer between accumulated surplus and loan loss reserve.

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13. INVESTMENT PROPERTIES:	<b><u>\$,000</u></b>
Cost -	
At 1 January and 31 December 2009	<u>7,208</u>
Depreciation -	
At 1 January 2009	937
Charge for the year	<u>133</u>
At 31 December 2009	<u>1,070</u>
Carrying amount -	
At 31 December 2009	<u>6,138</u>
At 31 December 2008	<u>6,271</u>

No independent valuation of the Credit Union's investment properties was done in 2009. The last valuation was done on the 5 January 2005 and showed a fair value amount of \$9.5 million and was arrived at on the bases of valuations carried out by independent valutors not connected with the Credit Union. The valuation which conformed to international valuation standards was arrived at by reference to market evidence of transactions prices for similar properties.

The income earned by the Credit Union from its investment properties, all of which are leased under operating leases, amounted to \$605,000. There were no direct operating expenses arising from the investment properties during the year.

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14. **PROPERTY, PLANT AND EQUIPMENT:**

	Freehold Land <u>\$'000</u>	Buildings <u>\$'000</u>	Leasehold Improvements <u>\$'000</u>	Office, Furniture and Equipment <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
At cost -					
1 January 2009	1,341	7,942	13,617	65,294	88,194
Additions	-	-	3,086	5,339	8,425
Disposal	-	-	( 1,339)	( 315)	( 1,654)
	1,341	7,942	15,364	70,318	94,965
At valuation -					
1 January and 31 December 2009	<u>2,040</u>	<u>6,836</u>	-	-	<u>8,876</u>
	<u>3,381</u>	<u>14,778</u>	<u>15,364</u>	<u>70,318</u>	<u>103,841</u>
Depreciation -					
1 January 2009	-	2,264	8,389	42,142	52,795
Eliminated on disposal	-	-	( 849)	( 150)	( 999)
Charge for the year	-	<u>369</u>	<u>1,152</u>	<u>6,142</u>	<u>7,663</u>
	-	<u>2,633</u>	<u>8,692</u>	<u>48,134</u>	<u>59,459</u>
Net Book Value -					
31 December 2009	<u>3,381</u>	<u>12,145</u>	<u>6,672</u>	<u>22,184</u>	<u>44,382</u>
31 December 2008	<u>3,381</u>	<u>12,514</u>	<u>5,228</u>	<u>23,152</u>	<u>44,275</u>

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**15. RETIREMENT BENEFIT ASSETS:**

The Credit Union provides for post retirement benefit through a defined benefit pension scheme, managed by the Jamaica Co-operative Credit Union League Limited. The scheme is funded by contributions from the Credit Union and permanent employees in accordance with the rules of the scheme. Under the plan employees are entitled to retirement benefits based on 1.66% of their final 3-year average salary per year of contributory service. No other post-retirement benefits are provided. The scheme is valued by independent actuaries annually using the Projected Unit Credit Method. The latest actuarial valuation was carried out as at 31 December 2009.

**Changes in the Present Value of the Obligation:**

	<u>2009</u> <u>\$'000</u>	<u>2008</u> <u>\$'000</u>
Present value of the obligation at 1-Jan-09	97,010	126,427
Current service cost	8,728	7,777
Interest cost	16,480	17,065
Benefits and administrative expenses paid	( 5,471)	( 5,866)
Actuarial loss/(gain) on obligation	<u>104,009</u>	<u>( 48,393)</u>
Present value of obligation at 31-Dec-09	<u>220,756</u>	<u>97,010</u>

**Changes in the Fair Value of the Plan Assets:**

	<u>2009</u> <u>\$'000</u>	<u>2008</u> <u>\$'000</u>
Fair value of plan assets at 1-Jan-09	295,375	268,428
Contributions	16,476	14,173
Expected return on plan assets	33,097	29,984
Benefits and administrative expenses paid	( 5,471)	( 5,866)
Actuarial gain/(loss) on plan assets	<u>52,516</u>	<u>( 11,344)</u>
Fair value at plan assets at 31-Dec-09	<u>391,992</u>	<u>295,375</u>

**Reconciliation of the Present Value of the Defined Benefit Obligation to the Fair Value of the Plan Assets:**

	<u>2009</u> <u>\$'000</u>	<u>2008</u> <u>\$'000</u>
Present value of the obligation	(220,756)	( 97,010)
Fair value of plan assets	<u>391,992</u>	<u>295,375</u>
Over-Funded Obligation	171,236	198,365
Unrecognized actuarial losses/(gains)	344	( 52,151)
Unrecognized asset due to limit in 58(b)	<u>( 58,530)</u>	<u>-</u>
Asset recognized in balance sheet	<u>113,050</u>	<u>146,214</u>

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**15. RETIREMENT BENEFIT ASSETS (CONT'D):**

**Expense Recognized in the Income Statements:**

	<u>2009</u> <u>\$'000</u>	<u>2008</u> <u>\$'000</u>
Employer's current service cost	2,475	1,836
Interest cost	16,480	17,065
Expected return on assets	(33,097)	(29,984)
Net actuarial gain recognized in year	( 1,001)	-
Pension income	(15,143)	(11,083)
Change in income not eligible for recognition due to limit	<u>58,530</u>	<u>-</u>
Net pension expense/(income) included in staff costs (note 9)	<u>43,387</u>	<u>(11,083)</u>

The actual return on plan assets was \$85,612,000 (2008 - \$18,640,000).

**Movements in Net Asset:**

	<u>2009</u> <u>\$'000</u>	<u>2008</u> <u>\$'000</u>
Opening Net Asset	146,214	126,900
Pension income	15,143	11,083
Employer's contributions paid	<u>10,223</u>	<u>8,231</u>
	171,580	146,214
Change in income not eligible for recognition due to limit	<u>( 58,530)</u>	<u>-</u>
Closing Net Liability	<u>113,050</u>	<u>146,214</u>

Expected contributions to the plan for the year ending 31 December 2010, amounted to \$11,169,000.

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity and property investments reflect long-term real rates on return experienced in the respective markets.

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**15. RETIREMENT BENEFIT ASSETS (CONT'D):**

The distribution of plan assets was as follows:

	<u>2009</u>	<u>2008</u>
Quoted equities	3.36%	4.01%
Real estate	12.14%	15.19%
Government of Jamaica securities	46.97%	49.68%
Repurchase agreements	26.87%	22.32%
US\$ Bonds	4.53%	2.48%
Other	<u>6.13%</u>	<u>6.32%</u>

The five-year trend for the fair value of plan assets, the defined benefit obligation, the surplus in the plan, and experience adjustments for plan assets and liabilities is as follows:

	<u>2009</u> <u>\$,000</u>	<u>2008</u> <u>\$,000</u>	<u>2007</u> <u>\$,000</u>	<u>2006</u> <u>\$,000</u>	<u>2005</u> <u>\$,000</u>
Fair value of plan assets	391,992	295,375	268,428	209,155	185,755
Defined benefit obligation	(220,756)	( 97,010)	(126,427)	(118,227)	( 77,955)
Surplus	<u>171,236</u>	<u>198,365</u>	<u>142,001</u>	<u>90,928</u>	<u>107,800</u>
Experience adjustments on -					
Plan assets	31,969	( 11,344)	34,141	2,847	5,582
Plan liabilities	<u>( 419)</u>	<u>( 48,393)</u>	<u>( 9,219)</u>	<u>30,453</u>	<u>25,436</u>

The principal actuarial assumptions used were as follows:

	<u>2009</u>	<u>2008</u>
Discount rate	16.0%	16.0%
Expected return on plan assets	11.0%	11.0%
Expected future salary increases	13.5%	10.0%
Expected average remaining lives of employees (years)	<u>22.58</u>	<u>22.62</u>

Following the Jamaica Debt Exchange (JDX) (Note 30), there has been a significant reduction in interest rates and a downward shift in the Jamaica sovereign debt yield curve. This shift will result in a significant reduction in the discount rate used to measure the Credit Union's obligations under its defined benefit pension and other post employment benefit plans. Accordingly, the Credit Union's obligations under these plans are likely to increase significantly. The Credit Union, in conjunction with its actuaries, is in the process of determining the impact on both the accounting measurement and the funding of these plans.

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16. **LIQUID ASSETS:**

Comprising the following -

	<u>2009</u> <u>\$'000</u>	<u>2008</u> <u>\$'000</u>
<b>Earning:</b>		
Deposits -		
Jamaica Co-operative Credit Union League	686,038	587,050
Bank of Nova Scotia Jamaica Limited	1,790	1,115
National Commercial Bank Limited	1,194	1,096
Government of Jamaica securities	22,873	-
Capital and Credit Merchant Bank Limited	<u>604</u>	<u>525</u>
	<u>712,499</u>	<u>589,786</u>

17. **REVERSE REPURCHASE AGREEMENTS:**

The Credit Union enters into reverse repurchase agreements collateralised by Government of Jamaica securities. These agreements may result in a credit exposure in the event that the counter party to the transaction is unable to fulfill its collateral obligations.

At 31 December 2009 the credit union held securities totaling \$359,533,158 (2008: \$279,594,196) representing Government of Jamaica debt securities as collateral for reverse repurchase agreements.

18. **CASH AND BANK BALANCES:**

	<u>2009</u> <u>\$'000</u>	<u>2008</u> <u>\$'000</u>
Cash in hand	43	43
Bank balances	13,649	16,037
ATM imprest	<u>30</u>	<u>30</u>
	<u>13,722</u>	<u>16,110</u>

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19.	<b>OTHER ASSETS:</b>	<u>2009</u> <u>\$'000</u>	<u>2008</u> <u>\$'000</u>
	Deposits and prepayments	8,521	7,165
	Withholding tax receivable	21,509	11,640
	Sundry receivables	<u>2,282</u>	<u>4,980</u>
		<u>32,312</u>	<u>23,785</u>
20.	<b>INSTITUTIONAL CAPITAL:</b>	<u>2009</u> <u>\$'000</u>	<u>2008</u> <u>\$'000</u>
	Statutory reserve -		
	Balance brought forward	627,409	551,269
	Current year transfer	117,176	76,124
	Entrance fees	<u>29</u>	<u>16</u>
		744,614	627,409
	Members' permanent shares	<u>21,000</u>	<u>-</u>
		<u>765,614</u>	<u>627,409</u>
	(a) Statutory reserve -		
	As required by the Co-operative Societies Act and the rules of the Jamaica Teachers' Association Co-operative Credit Union Limited, a minimum of twenty (20%) of the annual surplus and amounts collected for entrance fees are transferred to this reserve.		
	(b) Permanent shares -		
	Permanent shares are paid in cash are not redeemable but may be transferred or sold to another member.		
21.	<b>NON-INSTITUTIONAL CAPITAL:</b>	<u>2009</u> <u>\$'000</u>	<u>2008</u> <u>\$'000</u>
	(a) Accumulated surplus	301,157	291,273
	(b) Retirement benefit assets reserve	113,050	146,214
	(c) Fair value reserve	5,446	1,567
	(d) Loan loss reserve	25,176	9,653
	(e) Revaluation reserve	9,430	9,430
	(f) Permanent share transfer fund	<u>( 109)</u>	<u>21,000</u>
		<u>454,150</u>	<u>479,137</u>

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**21. NON-INSTITUTIONAL CAPITAL (CONT'D):**

(a) Accumulated surplus:

This represents undistributed surplus.

(b) Retirement benefit assets reserve:

This reserve was created to match the value of the retirement benefit assets of the Credit Union. Movement on this reserve passes through accumulated surplus.

(c) Fair value reserve:

This represents the unrealised surplus or deficit on the revaluation of available-for-sale investments.

(d) Loan loss reserve:

This is the excess of the loan loss provision over IAS 39 requirements.

(e) Revaluation reserve:

This represents unrealised gain on revaluation of land and building.

(f) Permanent share transfer fund:

This represents amount set aside from surplus to be ascribed as permanent shares for members. These permanent shares were issued to members during the year. The balance above represents shares bought back by the credit union from resigning and deceased members.

**22. MEMBERS' VOLUNTARY SHARES:**

As more fully described in Note 4(b), members' voluntary shares are now classified as liabilities. Comparative information has been accordingly restated.

	<u>2009</u> <u>\$'000</u>	Restated <u>2008</u> <u>\$'000</u>	Restated <u>2007</u> <u>\$'000</u>
Balance at 1 January	2,516,074	2,231,487	1,968,332
Add: savings and dividends	<u>1,099,019</u>	<u>778,734</u>	<u>723,416</u>
	3,615,093	3,010,221	2,691,748
Less: withdrawals and transfers	<u>( 643,033)</u>	<u>( 494,147)</u>	<u>( 460,261)</u>
	<u>2,972,060</u>	<u>2,516,074</u>	<u>2,231,487</u>

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23.	<b>MEMBERS' DEPOSITS:</b>	<u>2009</u> <u>\$'000</u>	<u>2008</u> <u>\$'000</u>
	Ordinary deposits -		
	Balance at 1 January	152,669	131,708
	Add: savings and interest	<u>496,867</u>	<u>626,661</u>
		649,536	758,369
	Less: withdrawals and transfers	<u>( 458,378)</u>	<u>( 605,700)</u>
		191,158	152,669
	Golden Harvest Plan	816,830	671,256
	Special Fixed Deposits	<u>912,621</u>	<u>688,119</u>
		1,920,609	1,512,044
	Interest accrued	<u>13,830</u>	<u>9,174</u>
		1,934,439	1,521,218
	Less: current portion	<u>(1,127,136)</u>	<u>( 729,343)</u>
		<u>807,303</u>	<u>791,875</u>
24.	<b>EXTERNAL CREDITS:</b>	<u>2009</u> <u>\$'000</u>	<u>2008</u> <u>\$'000</u>
	Jamaica Co-operative Credit Union League Limited -		
	Mortgage loans	25,628	29,641
	Less: current portion	<u>( 4,013)</u>	<u>( 4,005)</u>
		<u>21,615</u>	<u>25,636</u>

The loans from the Jamaica Co-operative Credit Union League are secured by registered titles and charge on deposits. Interest is repayable at rates ranging from 2½% to 12% per annum on the reducing balance.

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25. **OTHER LIABILITIES:**

	<u>2009</u> <u>\$'000</u>	<u>2008</u> <u>\$'000</u>
Withholding tax	4,895	2,467
Ministry of Education refund	1,686	1,376
JTA Housing Co-operative Limited	-	802
Legal charges payable on members' behalf	1,232	1,844
Other payables	24,562	17,549
Statutory payables	51	11,124
Insurance	3,953	2,442
Accruals	<u>15,448</u>	<u>13,198</u>
	<u>51,827</u>	<u>50,802</u>

26. **APPROPRIATIONS:**

	<u>2009</u> <u>\$'000</u>	<u>2008</u> <u>\$'000</u>
Donations	<u>1,899</u>	<u>1,849</u>

27. **INSURANCE:**

## (a) Fidelity Insurance Coverage -

During the year the Credit Union had fidelity insurance coverage with NUCS Co-operative Insurance Services Limited. The total premium for the year was \$116,500.

## (b) Life Savings and Loan Protection Coverage -

During the year the Credit Union had life savings and loan protection coverage with Cuna Mutual Insurance Company Limited. Total premium for the year was \$26,881,013.

## (c) Golden Harvest Premium Insurance Coverage -

During the year the Credit Union had insurance coverage with Cuna Mutual Insurance Company Limited. The total premium for the year was \$11,836,397.

These policies remained in force throughout the year with all premiums being paid promptly.

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28. **RELATED PARTY TRANSACTIONS:**

The credit union entered into the following transactions with related parties:

	<u>2009</u> <u>\$'000</u>	<u>2008</u> <u>\$'000</u>
(a) Loan balances (including interest) -		
Board and committee members	33,569	31,692
Members of staff	<u>44,185</u>	<u>76,812</u>
(b) Deposits (including interest) -		
Board and committee members	51,858	44,277
Members of staff	<u>32,893</u>	<u>29,322</u>

At 31 December 2009 all loans owing by directors, committee members and staff were being repaid in accordance with their loan agreements.

(c) Compensation of key management personnel -

The remuneration of key members of management during the year was as follows-

	<u>2009</u> <u>\$,000</u>	<u>2008</u> <u>\$,000</u>
Salaries and other short-term benefits	22,555	20,665
Post employment benefits (*)	<u>1,739</u>	<u>1,264</u>
	<u>24,294</u>	<u>21,929</u>

Their remuneration is determined by the Board of Directors, having regard to their performance and prevailing macro economic factors.

\*This represents employer's contribution to the multi-employer defined benefit plans.

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**29. COMPARISON OF LEDGER BALANCES:**

The detailed records of balances relating to loans to members, deposits and share capital deferred from their respective control accounts as follows:

	<u>Loans to Members \$'000</u>	<u>Members Deposits \$'000</u>	<u>Share Capital \$'000</u>
Balance as per general ledger	4,772,020	1,921,283	2,972,060
Balance as per members' ledger	<u>4,772,020</u>	<u>1,921,283</u>	<u>2,972,060</u>
Variances at 31 December 2009	<u>-</u>	<u>-</u>	<u>-</u>

**30. SUBSEQUENT EVENT:**

In February 2010, the Credit Union participated in the Jamaica Debt Exchange (JDX) transaction. The JDX involved a par-for-par exchange of domestic debt instruments ("Old Notes") issued by the Government of Jamaica for new debt instruments ("New Notes") having lower interest rates and longer maturities. While the Old Notes were all callable by the Government of Jamaica, a majority of New Notes will be non-callable. Participation in the JDX was voluntary. Interest accrued on the Old Notes up to but excluding 24 February 2010 (the Final Settlement Date) will be paid in cash, net of applicable withholding taxes.

The JDX has had a significant impact on the expected future cash flows from the Credit Union's investment portfolio. The table below summarises the impact on coupon rates and maturities of the instruments that were exchanged.

	<b>Pre JDX</b>	<b>Post JDX</b>
Jamaican dollar denominated instruments:		
Total face value exchanged (J\$'000)	65,533	65,533
Weighted average coupon rate	18%	12%
Weighted average tenor to maturity (years)	<u>4</u>	<u>5</u>

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	<u>2009</u> <u>\$'000</u>	<u>2008</u> <u>\$'000</u>
GENERAL EXPENSES:		
Travelling expenses	9,047	8,226
Motor vehicle upkeep for travelling officers	8,037	8,466
Motor vehicle expenses	99	99
Data Processing	2,631	2,393
Stationery and printing	6,736	5,367
Insurance	2,346	1,893
Advertising and publicity	11,988	9,758
Education and training	648	636
Board and committee meetings	3,029	2,875
Annual general meetings	6,747	5,064
Auditors' remuneration (inclusive of GCT)	3,603	3,601
Repairs and maintenance	3,573	3,733
General office	3,947	3,429
Directors' and committees' expenses	6,678	7,046
Security	5,924	5,039
Entertainment	77	33
Ceremonies	541	470
Anniversary expenses	4,208	-
Postage and telegrams	2,746	2,172
Legal costs	528	-
Consultancy fees	1,423	997
Staff and board retreat	1,293	1,163
Depreciation	<u>7,796</u>	<u>7,184</u>
	<u>93,645</u>	<u>79,644</u>

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OTHER OPERATING EXPENSES  
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	<u>2009</u> <u>\$'000</u>	<u>2008</u> <u>\$'000</u>
<b>MEMBERS' SECURITY:</b>		
Loans and savings insurance	26,881	21,278
Golden harvest savings insurance	<u>11,836</u>	<u>13,106</u>
	<u>38,717</u>	<u>34,384</u>
<b>AFFILIATION:</b>		
League fees	7,623	10,155
Stabilization dues	17,008	12,072
League and other meetings	<u>5,559</u>	<u>2,765</u>
	<u>30,190</u>	<u>24,992</u>
<b>ESTABLISHMENT:</b>		
Rates and taxes	1,677	1,922
Electricity and telephone	20,566	19,382
Cleaning and sanitation	1,840	1,691
Janitorial services	4,844	3,769
Rental	<u>7,351</u>	<u>5,933</u>
	<u>36,278</u>	<u>32,697</u>
<b>OTHER OPERATING EXPENSES</b>	<u>198,830</u>	<u>171,717</u>